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**surveys** of consumers  
REUTERS UNIVERSITY OF MICHIGAN

## Consumer Confidence Slips

ANN ARBOR. Consumer confidence slipped in July as consumers anticipated that their personal finances would improve more slowly than they had anticipated several months ago. “While consumers believe the economic free-fall is now over, consumers see little reason to believe that the economic stimulus package will improve their finances anytime soon,” according to Richard Curtin, the Director of the Reuters/University of Michigan Surveys of Consumers. Financial reversals were reported with equal frequency across all income subgroups, as was the expectation that joblessness would continue to increase. “It is difficult to determine whether the recent loss in confidence simple reflects the impatience of consumers or the sprouting of changed assessments of the effectiveness of the stimulus policies,” noted Curtin. In either event, “economic apprehensions can be expected to increase along with rising unemployment and stagnant incomes during the months ahead,” according to Curtin. Although consumer spending will improve during the balance of 2009, total personal consumption expenditures will post an lackluster increase of 1.5% during 2010.

The Index of Consumer Sentiment was 66.0 in the July 2009 survey, between the 70.8 in June and the 61.2 recorded in last year’s July survey. The July 2009 reading was the fourth positive year-to-year change since mid 2007. The Index of Consumer Expectations, a closely watched component of the Index of Leading Economic Indicators, was 63.2 in July, down from 69.2 in June but well above last July’s 53.5. The Current Economic Conditions Index also fell in July to 70.5 from 73.2 in June but remained below last July’s 73.1.

Recent income gains were reported by the fewest consumers in the more than sixty-year history of the survey. Moreover, a worsening financial situation was reported by the majority of consumers, and these financial reversals were as common among upper as lower income households. Financial prospects for the year ahead were equally gloomy across all income groups. Expected income gains were barely positive, with the expected annual income increase barely above zero—just two-tenths of a percentage point.

When asked about future job prospects, just 14% of all consumers expected employment conditions to improve during the year ahead. Although employment and income growth is expected to remain problematic, consumers think that the worst of the economic downturn is now over. Unfortunately, consumers do not anticipate any substantial improvement for some years to come. Nearly six-in-ten consumers expect widespread unemployment to persist over the next several years, a view that has hardly changed from a year ago. Confidence in government economic policies retreated, with the percent holding unfavorable views increasing to 32%, up from 28% in June and 22% in May—but it was still well below the 50% recorded last July.

Buying plans for homes, vehicles, and major household durables declined in July. Less favorable perceptions of market prices were reported by consumers, although anticipated price discounts still remained near their all-time peaks. Uncertainty about job and income prospects also rose in July and will make consumers somewhat more reluctant to spend in the months ahead.

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